FOREIGN AGRICULTURE CIRCULAR

OFAR

OFFICE OF FOREIGN AGRICULTURAL RELATIONS
UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.

FLM 2-47 March 3, 1947

THE CURRENT CATTLE AND BEEF SITUATION IN ARGENTINA

From the feed standpoint, the Argentine cattle outlook today is the best it has been for several years. Rains have continued to fall regularly and in general abundance with the result that pastures in virtually all areas are now quite good. It is practically the first time since 1943, according to buyers, that they have not had to press their customers for delivery of an adequate number of well-finished steers to cover export commitments.

Because of the good weather, the hold-up in marketings during the slow-down (September 11 to October 1) and strike (October 1 to November 20) in principal exporting frigorificos did not cause a deterioration in grazing capacity. It is recognized that as the result of a conservative operation in prior months, prompted by adverse conditions, many pastures really were not at all fully stocked with cattle when the 1946 spring season opened.

At first it was thought that the lapse in marketings might result in some small grain land, originally intended for harvest, being grazed down. Actually, it now appears that this may have been the case only to a very limited extent. Plant growth on the grain plots not intended for harvest and in the so-called permanent pastures was lush enough to take care of the animals that had to be held beyond the expected marketing dates.

Production Outlook

Because of favorable pasture outlook at the turn of the year, cattlemen were inclined as a rule to feel that it is safe to begin thinking rather definitely in terms of expanded operations. In fact, there already are signs that such is the case at present, however, the expression is yet rather limited and in any event may not go as far as one would normally expect under similar circumstances. The beginning of an upward trend in cattle interest has recently been manifest in considerable strengthening of prices for both feed and breeding animals, particularly the latter.

In anticipation of the passage of the proposed law on rural leaseholds under which tenants would be permitted to keep livestock up to a utilization of 30 percent of the leased area, a rather surprising number of smaller tenant farmers have begun to bid for extra breeding cattle. With this interest added to the strong tone already acquired in their customary auction circles, pure-bred breeders currently seem to be well satisfied.

Prepared in the Livestock and Wool Division and based chiefly on information furnished by A. T. Thompson, Agricultural Attache at Buenos Aires.

Cattlemen's plans, however, will depend somewhat upon conditions in February and March, that is, when it is time to put down fall grain seedings for winter grazing. The seed supply itself will not be a major factor as it was last year, especially in the case of rye. Most ranchers this season were able to harvest ample stocks for their own use. What will matter is the tilth of the soil at seeding time and the promise of at least average growth development. At the moment, one is justified in being rather optimistic. It is more likely that the seedings this year will actually be used rather heavily for pasture and not as generally intended for grain harvest. Many ranchers had weather and labor trouble in harvesting their larger seedings for grain this year and they are resolved not to figure on so large a harvest next season. Their interest in grain has also slackened because of the indications that high grain prices may not continue through another harvest.

On the other hand, regardless of the degree of enthusiasm among cattlemen for heavier stocking, the total supply of cattle at present in Argentina is not yet showing any appreciable upward trend from the levels of the last several drought-ridden years. In some areas this year, the percentage of calves dropped per 100 cows has been fairly high but in other areas, the after-effects of last year's dry spell and attacks of foot-and-mouth disease or contagious abortion are reported to have been quite damaging.

Since the termination of the frigorifico strike on November 20, slaughtering operations have been more or less normal. Ranchers have been quite ready to sell and had it not been for a continuing shortage of railway cars, the frigorificos undoubtedly would have been pressed to capacity.

Provisional Prices

Up to the present, the principal deterrent to a strong revival in cattle breeding and fattening has been the uncertainty over the price that will finally be obtained from the frigorificos. Until December 27, the frigorificos were continuing to make provisional settlement on all their direct purchases upon the basis of the schedule fixed by the Argentine Government for the last British contract, notwithstanding the fact that a new purchase agreement had presumably been reached with the British Government and the Argentine Government itself had announced the establishment of a specific new price schedule upon which payments were to be made to producers.

Frigorificos were not officially notified to proceed on the new basis for buying cattle until December 27. This notification, which took the form of a resolution from the Central Bank, was classified as provisional for 90 days from January 1, 1947. The resolution was retroactive in effect to October 1, 1946.

The new prices are based on the following percentage increases by grades: 22.8 percent for "J" (best export steers); 22.7 for "U_1's" (second best for export); 29.2 for "U_2's" and "N's"; 36 percent for "T_1" (first quality canners), and 30.4 for "T_2's" and "A's" (second and third quality canners). Persons outside the government are at a loss to understand the basis upon which these percentages were calculated and why, among other things, a proportionately greater increase was granted canner grades at a time when demand for canned meats would appear on the whole to be declining.

The provisional prices now in effect, together with the prices previously in effect are given below:

Official provisional prices at ranches and markets per 100 pounds for steers, dressed weight, effective December 27, 1946, with comparisons

Type	Effective at Ranches			Effective at markets a/		
	June 18 1945	Nov.22 b/ 1945	Dec.27 c/ 1946	June 18 1945	Nov.22 b/ 1945	Dec.27 c/ 1946
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Chiller type (sides)						
First Grade J	8.50	9.19	11.30	8.40	9.09	11.19
Second Grade U						
1st Quality	8.00	8.69	10.66	7.89	8.58	10.55
2nd Quality	7.47	8.16	10.42	7.36	8.05	10.31
Frozen type (superior)						
N	7.27	7.96	10.42	7.16	7.85	10.31
Frozen type (continental) T_1	7.25	7.73	10.51	7.14	7.62	10.40
Canners - T_2	7.05	7.36	9.53	6.94	7.25	9.42
Canners - A	6.84	7.22	9.53	6.73	7.11	9.42

Compiled from official sources.

a/ Liniers and Rosario. b/ Retroactive to Aug. 22, 1945. c/ Retroactive to October 1, 1946.

Movement of Feeders

It may be expected, however, that the new price schedule will immediately stimulate interest in the so-called feeder animals ("invernadas") for transport from the southern natural grazing zones of southern Buenos Aires province out to the alfalfa and cereal pastures of the western countries.

The regular movement of steers for fattening has been considerably upset this year, first because of the frigorifico strike in October and November which kept the fattener buyers from unloading their own cattle and thus making room for replacements, and, second, because the price announcement delay held up the formulation of plans. Normally, the movement of cattle to fattening pastures is at its height in late October and November. This year, it is likely to be greatest in January and February, although it may not attain anything like the level which would have been anticipated upon the basis of the available feed.

During December, many light cattle which would have been suitable for fattening went instead into the Buenos Aires market for local consumption. With continuing prosperity in the city, domestic slaughterers were paying prices somewhat in excess of what the fatteners were then willing to pay. Furthermore, on account of the slaughter condition which cattle had reached on the good forage, light animals generally could readily be sold alternately for domestic slaughter.

According to experienced frigorifico representatives, buyers of fatteners usually pay up to 80 percent of finished cattle price. This year, however, bidding might be brisker, since there was an abundance of feed on a number of ranches which otherwise would go to waste. It seems that while a considerable acreage of alfalfa and other forage has been put up for hay, the activity along this line has been somewhat under the maximum possibility on account of weather interference and labor difficulties. Failure to convert all surplus forage into hay means cattlemen will not go into winter as well fixed for feed reserves as might have been the case, although this may not cause any hesitation to take up the limited numbers of steers that will be available for fattening.

Export Outlook

Considering the state of pastures, a good run of steers of export quality was expected at least through January. A part of this run probably will represent the backlog which accumulated in October and November. One effect of the frigorifico strike was to cause the fattening of animals to heavier weights than otherwise might have been the case, even with the abundance of pasture feed. Ranchers today are talking about how the cattle they are selling for export are as much as 110 to 132 pounds heavier than usual. Taking all slaughter, however, not much change in weights is noticeable, due to the influence of the domestic market which now absorbs nearly 2/3's of Argentina's cattle production and which continued to function throughout the strike in the exporting frigorificos.

Beef export estimates for 1947, according to frigorifico interests, are as follows:

BEEF AND VEAL a/: Estimated exportable surplus in 1947, with comparisons

Classification	Average 1934-38	1945	1946 Preliminary	1947 Forecast
	Million pounds	Million pounds	Million pounds	Million pounds
Frozen and chilled	901	396	672	627
Canned corned	387	304	380	381
Hot packs	-	69	12	-
Total	1,298 b/	865 b/	1,064	1,008
Edible offal	-	40	31	31
Total, incl. offal	-	905	1,095	1,039

a/ Carcass meat. b/ Total includes salted and jerked beef.

These figures do not represent any appreciable increase over 1946 production, but are based on the belief that regardless of favorable feed conditions the number of cattle in existence will not permit any larger marketing during the next 12 months. Some allowance has also been made for a larger than average retention of young cattle suitable for breeding stock to initiate an upturn in calving over the next few years.

The proportion of total production indicated as probably to go into canned meat is regarded by some sources as on the excessive side. It is supposed either that the frigorifico estimate is based on the supposition that the new schedule of price will prove relatively more attractive to canning grades of cattle or that the margins on the manufacture of canned goods is sufficiently more advantageous than for frozen meat as to result in a considerable diversion of raw material to canning lines, notwithstanding the end of the war.

Since the end of the frigorifico strike, loadings of beef for British account have been going ahead steadily, although final details as to the price which the British must eventually pay are not yet settled. Up to the present all invoicing has been made on the basis of the old contract prices, subject to retroactive upward adjustment.

Refrigerated loadings for Britain are expected to total about 143 million pounds in January and about 112 million pounds in February.

Argentine Trade Promotion Institute

In accordance with an official decree, the frigorificos actually no longer sell directly to foreign buyers. They must transfer title of all slaughter products to the Argentine Trade Promotion Institute ("Instituto Argentine de Promocion del Intercambio"). The prices which the frigorificos will receive for these products have not yet been announced. Meantime, invoicing has been made on the basis of the last British contract in the case of sales to countries buying through the British Ministry of Food.

In the case of sales to other countries, the policy of the Instituto is obscure. Meat sales or supply commitments have been made to Spain and Portugal, but the exact quantities, delivery dates and prices have not been announced. Since the Anglo-Argentine Agreement provides for 83 percent of exportable meat supplies to go to Britain, it is presumed that the Instituto will endeavor to sell the so-called free 17 percent of the total supply at the highest possible price.